

Message Text

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PAGE 01 HONG K 03893 061001Z
ACTION TRSE-00

INFO OCT-01 EA-07 ISO-00 NEA-10 IO-13 H-01 L-03 PRS-01
PA-01 SP-02 USIA-06 AID-05 EB-08 NSC-05 SS-15
STR-04 OMB-01 CEA-01 CIAE-00 COME-00 FRB-03
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FM AMCONGEN HONG KONG
TO SECSTATE WASHDC PRIORITY 4419
INFO AMEMBASSY MANILA

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STATE FOR NAC AGENCIES

MANILA FOR USADB

EO 11652: ADS, DECLAS 6/30/77
TAGS: EAID, EFIN, HK
SUBJECT: ADB PROPOSED ADB LOAN FOR SHA TIN URBAN DEVELOPMENT
PROJECT

REF: MANILA 4611

1. SUMMARY: CONGEN RECOMMENDS NAC APPROVAL OF US\$20.5 MILLION
EQUIVALENT LOAD TO HONG KONG GOVERNMENT FOR SHA TIN DEVELOPMENT
PROJECT AS PROPOSED BY ADB MANAGEMENT (REFTEL). PROJECT HAS BEEN
CAREFULLY PLANNED AND IS DIRECTED AT BENEFITTING HONG KONG'S
LOW INCOME GROUPS, WHOSE HARDSHIPS ARE REAL DESPITE HIGH GDP/
CAPITA IN THE COLONY. END SUMMARY.

2. AMBITIOUS IN SCOPE AND CAREFULLY PLANNED, THE SHA TIN PROJECT
IS ONE OF THREE "NEW TOWNS" BEING BUILT IN THE NEW TERRITORIES
AS PART OF MAJOR INITIATIVE BY THE HONG KONG GOVERNMENT TO
DECENTRALIZE HOUSING AND INDUSTRY AWAY FROM DENSELY PACKED
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PAGE 02 HONG K 03893 061001Z

HONG KONG ISLAND AND KOWLOON. AS ADB'S STUDY (REFTEL AND ADB
REPORT HKG: AP-3) NOTES, HK'S DECISION TO DEVELOP THESE THREE "NEW
TOWNS" REPRESENTS CREATIVE SOLUTION TO PROBLEMS OF
OVERCROWDING IN OLDER SECTIONS OF THE COLONY.

3. WHILE URBAN GROWTH INTO THE NEW TERRITORIES HAS LONG
APPEARED NECESSARY, THE HKG WAS SLOW IN DEVELOPING THE AREA

FOR ANYTHING MORE THAN AGRICULTURAL AND RECREATIONAL USES, PARTLY BECAUSE OF RESTRICTIVE LAND COVENANTS AND COMMUNICATION DIFFICULTIES ACROSS THE KOWLOONG HILLS, BUT ALSO IN PART BECAUSE OF THE PERSISTENT TABOOS IN THE PUBLIC MIND ABOUT THE 1997 EXPIRATION DATE FOR THE NEW TERRITORIES LEASE. THE HKG IS OVERCOMING THE FIRST CONSTRAINTS BY FORMING NEW SITES THROUGH RECLAMATION AND LAND FILL AND DIGGING ROAD TUNNELS. CONSTRUCTION OF NEW TOWNS AND INDUSTRIAL FACILITIES, ALONG WITH NECESSARY INFRASTRUCTURE, SIGNALS CONFIDENCE IN CONTINUATION OF THE POLITICAL STATUS QUO BEYOND 1997.

4. SHA TIN APPEARS TO BE THE MOST IMMEDIATELY USEFUL OF THE NEW TOWN PROJECTS BECAUSE OF ITS CONVENIENT LOCATION AND EXISTING TRANSPORTATION FACILITIES. RESIDENTS CAN EASILY COMMUTE VIA TRAIN OR BUS TO THEIR PRESENT JOBS.

5. THE SHA TIN PROJECT, IN PARTICULAR THE PUBLIC HOUSING DEVELOPMENT ON WHICH ADB LOAN IS FOCUSED, WILL BENEFIT LOW INCOME GROUPS BOTH DIRECTLY AND INDIRECTLY. IT WILL TAKE PRESSURE OFF HOUSING MARKET IN EXISTING URBAN AREAS, PROBABLY THE SOURCE OF HARDSHIPS MOST KEENLY FELT AMONG HONG KONG'S POOR.

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PAGE 03 HONG K 03893 061001Z

6. CONGEN HAS NO QUALMS ABOUT THE CREDITWORTHINESS OF THE HK GOVERNMENT. HK'S EXPORT-ORIENTED ECONOMY, WHICH SHOWED EXCEPTIONALLY STRONG RECOVERY IN 1976, SHOULD PERFORM WELL THROUGH THE EARLY 1980S, UNDER THE PRUDENT FINANCIAL MANAGEMENT THAT HAS BECOME ONE HALLMARK OF THE COLONY'S SUCCESS. FOREIGN EXCHANGE RESERVES (NOT PUBLISHED BY HKG) ARE ESTIMATED TO BE ABOUT \$1.8 BILLION. PUBLIC EXTERNAL DEBT IS SMALL AND DEBT SERVICE MINISCULE.

7. THIRTEEN YEAR TERM ADB LOAN AS PROPOSED IS ATTRACTIVE TO HKG FOR HELP IN ARRANGING BALANCED FINANCING FOR THE PROJECT. HOWEVER, BELIEVE CONTRIBUTING MOTIVE IN SEEKING THIS LOAN IS HKG'S DESIRE TO PRESERVE DEVELOPING COUNTRY STATUS WITHIN ADB AND, PERHAPS MORE IMPORTANTLY, IN OTHER VENUES WHERE TRADE PREFERENCES ARE AT STAKE.

8. HKG OFFICIALS MAKE POINT THAT RELATIONSHIP WITH ADB IS NOT ONE WAY STREET. IN PRESENT PROJECT, HK OFFERS INTERCHANGE OF EXPERTISE ON HIGH-DENSITY PUBLIC HOUSING, A FIELD IN WHICH HKG CAN CLAIM PREEMINENCE.

CROSS

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Message Attributes

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Sent Date: 06-Apr-1977 12:00:00 am
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Disposition Approved on Date:
Disposition Case Number: n/a
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Disposition History: n/a
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